

Executive Summary Report

Appraisal Date 1/1/2005 – 2005 Assessment Roll

Specialty Name: Warehouses

Sales - Improved Summary:

Number of Sales: 29

Range of Sale Dates: 1/24/2002 – 4/30/2005

Sales – Ratio Study Summary:

	<u>Mean Assessed Value</u>	<u>Mean Sale Price</u>	<u>Ratio</u>	<u>COV</u>
2004 Value	\$12,750,700	\$13,780,700	92.5%	15.92%
2005 Value	\$13,469,600	\$13,780,700	97.7%	6.76%
Change	+ \$718,900		+5.2%	-9.16%
%Change	+5.64%		+5.62%	-5.75%

*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -9.16% and -5.75% actually represent an improvement.

Sales used in Analysis: All improved sales that are verified as fair market transactions were included in the analysis.

Population - Parcel Summary Data:

	Land	Imps	Total
2004 Value	\$930,223,300	\$1,696,474,720	\$2,626,698,020
2005 Value	\$1,025,260,300	\$1,802,281,000	\$2,827,541,300
Percent Change	+10.22%	+6.24%	+7.65%

Number of Parcels in the Population: 304

Conclusion and Recommendation:

Since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2005 Assessment Roll.

Analysis Process

Area Specialty and Responsible Appraiser

Specialty Area – 500-Warehouses

The following Appraiser did the valuation for this specialty:

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial/industrial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000 is assigned to the improvements.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

Special Assumptions, Departures and Limiting Conditions

All three approaches to value; market, cost, and income, were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- ✚ Sales from 1/2002 to 12/04 (minimum) were considered in all analyses.
- ✚ No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- ✚ This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Specialty Area 500: Warehouses

This report contains data pertinent to the revalue of major warehouse facilities. Specialty Area 500 encompasses all distribution, transit and storage as well as light industrial facilities with building areas greater than or equal to 100,000 net rentable square footage located in King County. It is divided into five neighborhoods. A significant concentration, 72%, is located in the South End of the county. All warehouse specialty properties were revalued this year.

Boundaries: The properties are located throughout King County.

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

Many of the warehouses are designed for storage. Typically office space is between 3% and 12% of the total area. Distribution warehouses will have larger office/sales areas between 15% and 30%, to accommodate breakdown and transshipment. Transit warehouses are designed for loading, freight segregation and closed storage.

The industrial areas of King County have several recognized submarkets; the close-in Seattle area, the Kent Valley, Renton, Auburn, and the Eastside. The increasing scarcity of industrial land is continuing to impact development. This has long been the case for close-in properties that now face redevelopment pressure into retail, residential, and other uses. Construction activity has also been spurred by increased container traffic at the Port. Outlying properties are facing environmental and political restrictions as development of large facilities continues to spread farther from the familiar core areas outward in all available directions to less costly land.

The economic conditions for large warehouses have seen a slight increase in value. Lease rates have remained stable but capitalization rates have decreased ranging from 7.75% to 8.25. This reflects in part the historical low interest rates.

Physically Inspected Neighborhood:

The physically inspected neighborhood was the Seattle/Close-in area of 500-60.

There Are Five Neighborhoods In Area 500:

South King County: (Approximately 72% of the warehouse specialty population is located here)

Specialty Area 500-25 includes South Tukwila, Sea Tac, Renton and the northern portion of the Kent Valley (north of South 190th Street). Distribution warehouses dominate this area. Several new vacancies appeared in Renton as firms moved to new construction in the southern portion of the Kent valley despite its good location.

Specialty Area 500-35 includes Auburn, Pacific, Algona, and Enumclaw. There are a large number of industrial parks offering a variety of available space for the particular needs of individual tenants, as well as many stand alone industrial concerns that have been built to individual

specifications. Property types range from incubator space, major cold storage and distribution facilities. The Safeway Corporation built a new distribution center with over one million square feet in Auburn.

Specialty Area 500-45 includes the Kent Valley (south of South 190th Street). Distribution warehouses predominate, yet manufacturing concerns, food service and cold storage warehouses are found throughout this area. As the Kent valley continues to show trends toward improvement, developers are securing land for build to suit projects.

Seattle/Close-In : (Approximately 17% of the warehouse specialty population is located here)

Specialty Area 500-60 is located primarily south of the Kingdome (Sodo), and along both sides of the Duwamish Waterway and makes up the heart of Seattle's historic industrial area. The Northern part of Tukwila is also included. This area contains a mixture of industrial processing facilities, distribution warehouses, and truck terminals. Demand has remained high with influence from the Port of Seattle, and the Mariner's stadium displacing a number of industrial tenants. More spot retail and office uses are expected. The close-in market remains the tightest with 3-5% vacancy rate due to all the land has already been built out. The close-in properties now face redevelopment pressures.

East King County : (Approximately 11% of the warehouse specialty population is located here)

Specialty Area 500-80 represents the vast geographical area of the Eastside. This area includes Bellevue, Kirkland, Redmond, Bothell, and Woodinville. This area has benefited from population growth and high technology companies. Newer warehouses can be seen in this area. The vacancy rate is still the highest in the county for warehouses but for the first time in over three years, real estate trends turned positive for the Eastside according to Cushman & Wakefield's "Marketbeat Series".

Preliminary Ratio Analysis

A preliminary ratio study was completed just prior to the application of the 2005 recommended values. This study benchmarks the current assessment level using 2004 posted values. The study was also repeated after application of the 2005 recommended values. The results are included in the validation section of this report, showing an improvement in the Coefficient of Variation (COV) from 15.92% to 6.76%.

Scope of Data

Land Value Data:

The geographic appraiser in the area in which the specialty warehouse property is located is responsible for the land value used by the warehouse specialty appraiser. See appropriate area reports for land valuation discussion.

Improved Parcel Total Values:

Sales comparison approach model description

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. Verification consists of contact with Buyer, Seller or Broker if possible or information from the CoStar InfoSystems, Inc., a real estate sales verification service. At the time of sale, information on vacancy and market absorption rates, current and anticipated rents, and the competitive position of the property were also gathered. Characteristic data is verified for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

Sales comparison calibration

Only those sales coded as verified "good" were considered in the process of this revalue. There are 29 improved sales, countywide. After an initial search for comparable sales within each specialty area, a search is made in neighboring areas if necessary.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift "black box" cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost is adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Cost estimates serve as value indicators for new construction projects and are relied upon for special use properties where no income or market data exists.

Cost calibration

The Marshall & Swift cost modeling system built in to the Real Property Application is calibrated to the region and the Seattle area.

Income capitalization approach model description

The Income Approach to value (a direct capitalization method) was considered for warehouse properties this revalue. The Income Approach was considered the most reliable method of valuation for the majority of properties in Area 500 and was facilitated when appropriate. Income Tables were developed for each economic neighborhood in Specialty Area 500 for use in the department's commercial income capitalization program. They are broken down by neighborhood and the Marshall & Swift occupancy use codes. These tables are appended towards the end of this report. Economic rental rates were taken from published sources, landlords, tenants, and rental rate opinions from various Real Estate professionals active in Warehouse leasing. Expense ratios were estimated based on industry standards and familiarity of each area's rental expense.

Capitalization rates were determined by personal analysis of the sales in each area and industry average rates of return. All rents are given as triple net, which is the norm for these types of properties. Those parcels that did not fit the income tables, due to excess land or locational influences were treated as exceptions and valued appropriately via one or more of the three approaches to value, Income, Market, or Cost.

Income approach calibration

The models were calibrated after setting economic base rents, vacancy, expenses, and capitalization rates by using adjustments based on size, effective age, and quality of construction as recorded in the Assessor's records. The following table outlines specific income parameters.

PROPERTY TYPE	OVERALL RENT RANGE	TYPICAL RENT RANGE	EXPENSE	OAR RANGE
Storage Cold storage Garage Service Showroom Industrial Distribution	\$3.36 to \$9.00	\$3.84 to \$7.20	15%	7.75% to 8.25%
Warehouse Office Mezzanine Office	\$7.20 to \$16.00	\$7.80 to \$12.00	15%	7.75% to 8.25%
Mezzanine Storage Basement, Unfinished	\$1.68 to \$4.50	\$2.88 to \$4.05	15%	7.75% to 8.25%

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. The income approach to valuation is given greatest weight in the final analysis due to the information available.

Model Validation

Total Value Conclusions, Recommendations and Validation:

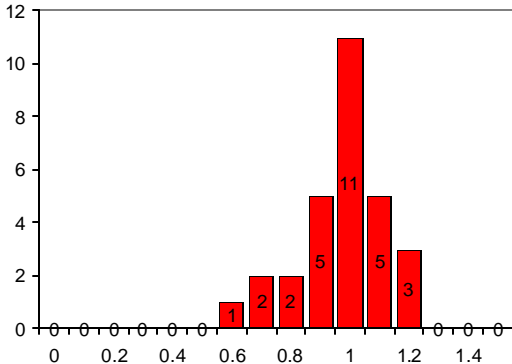
Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

Application of the total Value Model described above results in improved equity between individual properties as shown by the improvement in the C.O.V. from 15.92 % to 6.76%. In addition the resulting assessment level is 97.7 % and falls within IAAO performance guidelines. These figures are presented in the 2004 and 2005 Ratio Analysis charts included in this report.

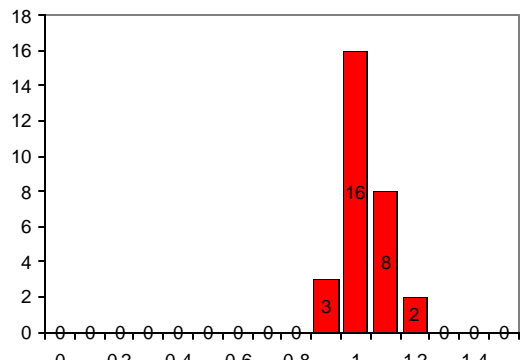
The total value for the 2004 assessment year for Area 500 was \$2,626,698,020. The total recommended assessed value for the 2005 assessment year is \$2,827,541,300.

Application of these recommended values for the 2005 assessment year (taxes payable in 2006) results in a total change from the 2004 assessments of +7.65 %.

Area 500 - WAREHOUSES
A 2005 Ratio Looking At Sales Using The 2004 Assessed Values

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
North Crew	1/1/2004	6/8/2005	1/1/02 - 04/30/05		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
500-Warehouses	SSHA	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	29	<div>Ratio Frequency</div>  <p>A histogram showing the frequency of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Ratio Frequency' and ranges from 0 to 12. The bars are red with black outlines. The frequencies for each ratio bin are: 0.6-0.7: 1, 0.7-0.8: 2, 0.8-0.9: 2, 0.9-1.0: 5, 1.0-1.1: 11, 1.1-1.2: 5, 1.2-1.3: 3, 1.3-1.4: 0, 1.4-1.5: 0.</p>			
Mean Assessed Value	12,750,700				
Mean Sales Price	13,780,700				
Standard Deviation AV	11,158,186				
Standard Deviation SP	11,499,856				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.921	<div>These figures reflect measurements before posting new values.</div>			
Median Ratio	0.943				
Weighted Mean Ratio	0.925				
UNIFORMITY					
Lowest ratio	0.5941				
Highest ratio:	1.1581				
Coefficient of Dispersion	11.40%				
Standard Deviation	0.1466				
Coefficient of Variation	15.92%				
Price-related Differential	1.00				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.876				
Upper limit	0.993				
95% Confidence: Mean					
Lower limit	0.868				
Upper limit	0.974				
SAMPLE SIZE EVALUATION					
N (population size)	276				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.1466				
Recommended minimum:	31				
Actual sample size:	29				
Conclusion:	Uh-oh				
NORMALITY					
Binomial Test					
# ratios below mean:	12				
# ratios above mean:	17				
z:	0.742781353				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Area 500 - WAREHOUSES
A 2005 Ratio Looking At Sales Using The 2005 Assessed Values

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
North Crew	1/1/2005	6/8/2005	1/1/02 - 04/30/05		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
500-Warehouses	SSHA	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	29	<div>Ratio Frequency</div> 			
Mean Assessed Value	13,469,600				
Mean Sales Price	13,780,700				
Standard Deviation AV	10,514,707				
Standard Deviation SP	11,499,856				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.990	<div>These figures reflect measurements after posting new values.</div>			
Median Ratio	0.978				
Weighted Mean Ratio	0.977				
UNIFORMITY					
Lowest ratio	0.8704				
Highest ratio:	1.1502				
Coefficient of Dispersion	5.08%				
Standard Deviation	0.0670				
Coefficient of Variation	6.76%				
Price-related Differential	1.01				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.965				
Upper limit	1.026				
95% Confidence: Mean					
Lower limit	0.966				
Upper limit	1.015				
SAMPLE SIZE EVALUATION					
N (population size)	276				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0670				
Recommended minimum:	7				
Actual sample size:	29				
Conclusion:	OK				
NORMALITY					
Binomial Test					
# ratios below mean:	17				
# ratios above mean:	12				
z:	0.742781353				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Improvement Sales Used for Area 500

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.
500	025	125380	0170	133,922	1926549	\$8,375,000	12/09/02	\$62.54	VALLEY INDUSTRIAL BLDG	IM	1
500	025	125381	0110	178,984	2073540	\$8,650,000	09/27/04	\$48.33	RADEN WAREHOUSE	IL	1
500	025	214600	0010	136,800	1889825	\$5,886,000	05/24/02	\$43.03	NORTHWEST CORP.PARK -EARLIN	IM	1
500	025	252304	9064	181,725	2116488	\$9,013,752	04/18/05	\$49.60	ALLPAK CONTAINER CORP	IH	1
500	025	334040	5300	441,751	1930952	\$23,297,000	12/30/02	\$52.74	SW 16TH ST TECH CENTER	IM	1
500	025	362304	9001	1,044,839	1889826	\$40,309,000	05/24/02	\$38.58	NORTHWEST CORPORATE PARK	IM	3
500	025	788880	0400	180,832	2095762	\$9,000,000	01/12/05	\$49.77	ALDARRA DISTRIBUTION FACILITY	M2	1
500	035	000080	0012	273,895	1928999	\$16,000,000	12/20/02	\$58.42	AUBURN ITC	M1	1
500	035	000460	0042	1,101,404	1865740	\$54,150,000	01/31/02	\$49.16	VALLEY CENTRE CORPORATE PARK	M1	3
500	035	030151	0130	218,316	1929362	\$7,647,500	12/18/02	\$35.03	WAREHOUSE/INDUSTRIAL BUILDING	M1	1
500	035	132104	9019	283,450	1918857	\$14,600,000	10/30/02	\$51.51	AUBURN 18 DISTRIBUTION CENTER	M1	1
500	035	158260	0065	386,108	1930945	\$20,418,000	12/30/02	\$52.88	BENAROYA BUSINESS PARK - AUBURN	M1	2
500	035	232973	0040	241,430	1899698	\$10,000,000	07/23/02	\$41.42	EMERALD CORPORATE PARK - BLISS	M1	1
500	035	232973	0080	201,170	1875995	\$9,778,531	03/28/02	\$48.61	EMERALD CORPORATE PARK-BLDG	M1	1
500	035	242104	9082	198,530	1964411	\$8,586,197	06/09/03	\$43.25	WAREHOUSE	M1	1
500	045	000620	0002	692,484	1930958	\$37,328,000	12/30/02	\$53.90	VAN DOREN'S WEST (BENAROYA)	M1	1
500	045	012204	9055	113,760	2108920	\$5,050,000	03/17/05	\$44.39	STERNOFF BUILDING	M2	1
500	045	122204	9113	124,972	2099740	\$5,000,000	02/01/05	\$40.01	NORTHROP DISTRIBUTION CENTER	M1	1
500	045	132204	9013	251,680	1946608	\$13,000,000	03/21/03	\$51.65	PARK 234	M1	1
500	045	132204	9062	178,400	2107106	\$8,650,000	03/11/05	\$48.49	234 DISTRIBUTION CENTER	M1	1
500	045	132204	9218	106,480	2099931	\$6,000,000	01/25/05	\$56.35	INTERGRIS METAL BUILDING	M3	1
500	045	142204	9044	192,247	1964423	\$10,250,000	06/09/03	\$53.32	SHAW INDUSTRIES	M1	1
500	045	142204	9069	107,096	1970970	\$6,746,434	07/07/03	\$62.99	VAN DOREN'S CENTER	M1	1
500	045	788880	0590	169,635	2004511	\$9,150,000	11/26/03	\$53.94	WAREHOUSE	M1	2
500	045	887980	0270	195,460	2074424	\$12,325,000	10/01/04	\$63.05	VAN DOREN'S LANDING BUILDING	M1	1
500	060	395890	0851	100,780	1946622	\$5,650,000	03/24/03	\$56.06	WAREHOUSE/DISTRIBUTION	IG1 U/8	1
500	060	536720	4080	174,537	2065062	\$13,775,000	08/25/04	\$78.92	SEATTLE DISTRIBUTION CENTER	IG1 U/8	1
500	060	766620	3467	143,785	2080238	\$9,380,000	10/25/04	\$65.24	TAYLOR - EDWARDS	IG1 U/8	1
500	080	866335	0100	164,954	2120714	\$11,625,000	04/30/05	\$70.47	TOTEM LAKE COMMERCE CENTER	LI	1